

**PEND OREILLE COUNTY PUBLIC HOSPITAL DISTRICT NO. 1**  
**DBA NEWPORT COMMUNITY HOSPITAL**  
**Pend Oreille County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Schedule Of Findings**

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1. The District Should Segregate Incompatible Duties

During our review of the district's internal control systems, we noted the following weaknesses:

- a. The business office manager oversees accounts receivable, serves as district treasurer, is the person primarily responsible for the computer system operation, has access to all computer applications, and can propose and post journal entries. This weakness has been identified during the prior two audits.
- b. The purchasing clerk can initiate and receive purchases. This weakness has been identified during the prior two audits.
- c. The billing clerk is responsible for opening the mail, has access to cash, and initiates the write-off of accounts receivable. Authorized write-off of accounts receivable are never reconciled to the amounts actually written off of the subsidiary accounts.
- d. End of the month reconciliations are not performed timely.
- e. There has been no periodic inventory of fixed assets to determine if all assets continue to be used to support their public purpose.

A basic principle of internal accounting controls requires the segregation of duties relating to the custody of assets from the responsibility for maintaining the related records of accountability.

Due to the size of the district's business staff separation of duties is difficult.

When improper duties are not adequately separated, errors and theft will not be detected in a timely manner, if at all.

We again recommend that the district separate the responsibilities of accounting for the transactions from the physical control of the assets to provide proper checks and balances for the protection of the assets. We further recommend that the district strengthen their internal control systems.

